• Cost growth remains the principle focus of health reform discussions among employers

• Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value prescription drugs

• Slowdown in healthcare costs may have negative health implications

• Attention should turn from how much to how well we spend our health care dollars
Motivation for “Clinically Nuanced” Benefit Design

• Ideally consumer cost-sharing levels would be set to encourage clinically appropriate use.

• “One-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among prescription drugs.

• Consumer cost sharing is increasing.

Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792
“I can’t believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.”

Barbara Fendrick (my mother)
A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential services, worsens health disparities, and in some cases leads to greater overall costs.

Solutions Are Needed to Enhance Efficiency

- Targeted solutions are necessary to better allocate health expenditures on the clinical benefit - not the price or profitability – of services
A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:
   - Who receives it
   - Who provides it
   - Where it's provided
Using Medical Evidence to Design Benefits
Value-Based Insurance Design

• Sets consumer cost-sharing level on clinical benefit not acquisition price of the service
  – Reduce or eliminate financial barriers to high-value clinical services

• Successfully implemented by hundreds of public and private payers

• Accumulating evidence

• Broad multi-stakeholder and bipartisan political support
Putting Innovation into Action: Create Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Partnership for Sustainable Health Care
- Families USA
- AHIP
- National Governor’s Assoc.
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- PhRMA
- AARP
Putting Innovation into Action: Translating Research into Policy

• Patient Protection and Affordable Care Act
• Medicare
• State Health Reform
• HSA-qualified HDHPs
HSA-qualified HDHPs: Too Much “Skin in the Game”? 

• More than 25% of employers offer HDHPs
• 85% of enrollees in the individual marketplace purchased either silver or bronze HDHP plans
• Higher out-of-pocket costs hinder the use of evidence-based drugs (even when exempt from the deductible)
• HDHP enrollees with chronic diseases are more likely to go without care due to cost or experienced financial hardship due to medical bills
Barriers to V-BID in HSA-qualified HDHPs

• IRS guidance specifically exclude services meant to treat “an existing illness, injury or condition” from the definition of preventive care

• Many well-established quality metrics require the entire deductible to be met before coverage begins

• 90% of employers support expanding deductible-exempt definition to include chronic disease care
HVHP allows evidence-based, services that manage chronic disease to be deductible-exempt:

- Lower premiums than PPOs and HMOs; slight premium increase over existing HDHPs
- >40 million likely enrollees
- Vehicle to avoid “Cadillac tax”
- Substantially lower aggregate healthcare expenditures on a population level
Applying V-BID to Specialty Medications

- Impose no more than modest cost-sharing on high-value services
- Reduce cost-sharing in accordance with patient- or disease-specific characteristics
- Relieve patients from high cost-sharing after failure on a different medication
- Use cost-sharing to encourage patients to select high-performing providers and settings

Many “supply side” initiatives are restructuring provider incentives to move from volume to value.
Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

• “Supply side” initiatives are restructuring provider incentives to move from volume to value

• Unfortunately, “demand-side” initiatives are moving consumers in the opposite direction

AJAC. 2014;2(3);10.
Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

• “Supply side” initiatives are restructuring provider incentives to move from volume to value

• Unfortunately, “demand-side” initiatives are moving consumers in the opposite direction

• Adding clinical nuance can improve quality of care, enhance employee experience, and contain cost growth

AJAC. 2014;2(3);10.
Discussion

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